



## **304 - PREMIUM TAX REPORTING POLICY**

Effective Date: 10/01/08  
Revision Date: 10/01/08,

Staff responsible for policy: DHCM Finance

### **I. PURPOSE**

This policy outlines the procedures necessary for AHCCCS Contractors to report and pay Premium Tax to the Arizona Department of Insurance (DOI) on a quarterly basis.

Under A.R.S. 36-2905 and 36-2944.01, each AHCCCS Contractor is required to pay to the DOI a tax equal to 2% of the total capitation, including reinsurance, and any other reimbursement **paid** to the Contractor by AHCCCS from and after October 1, 2003.

Each Contractor will report and pay premium tax to the DOI for all payments received from AHCCCS during the quarter. The tax is based on date of payment, not date of service. AHCCCS administration will report to the DOI the total payments to each Contractor for the calendar year by February 15<sup>th</sup> of the following year.

### **II. DEFINITIONS**

**ACH** – Automated Clearing House

**AHCCCS** - Arizona Health Care Cost Containment System

**AHCCCS Contractors** - Acute Care Health Plans, Arizona Long Term Care System Program Contractors, Department of Economic Security/Division of Developmental Disabilities, Children's Rehabilitative Services, Comprehensive Medical Dental Program, and Arizona Department of Health Services – Division of Behavioral Health

**BHS** – Behavioral Health Services within the Department of Health Services.

**CMDP** – Comprehensive Medical Dental Program

**Contractor** – Under the definitions in 36-2901, “Contractor” means an entity paid by AHCCCS on a prepaid, capitated basis, which means the entity receives payment notwithstanding the amount of services provided to a member.

**Capitation** – A payment to a Contractor based on a fixed contract rate per member enrolled to receive services of the Contractor. The contractor receives the capitation amount regardless of the cost of services to the member.

**CRS** – Children's Rehabilitative Services



**CYE** – Contract year ending/ended

**DBF** - Division of Business and Finance within AHCCCS

**DDD** – Division for the Developmentally Disabled within the Department of Economic Security

**DHCM** – Division of Health Care Management within AHCCCS

**DOI** – Arizona Department of Insurance

**EPD** – Elderly and physically disabled

**FFS** – Fee for service

**HCBS** – Home and Community-based Services

**IGA (Inter Governmental Agreement)** – An agreement between two state agencies whereby one state agency provides goods and/or services to another.

**Payment** – a payment that is made to the Contractor

**PPC** – Prior-Period Coverage

**Recoupment** – A payment that has been refunded by the Contractor to AHCCCS

**SOC** – Share of Costs

**TWG** – Title XIX Waiver Group

**VD** – Ventilator Dependent

### **III. POLICY**

#### **A. Quarterly Submission of Premium Tax to DOI**

Each AHCCCS Contractor (Attachment A) is required to file a quarterly tax report ([http://www.id.state.az.us/forms/tax\\_forms/E-QTR.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR.pdf)) and pay estimated premium taxes based on estimated payments received for the current quarter. See Attachment B for information on how payments will be handled. The premium tax is based on date of payment, not date of service. The tax payments are due on or before March 15, June 15, September 15 and December 15 of each year. The amount of the payments shall be an estimate of the tax due for the quarter that ends in the month that payment is due. If a Contractor has no tax to report, the Contractor must file a form stating \$0 tax due.



Contractors are required to periodically monitor the DOI website for updated forms and instructions.

B. Payments include:

- capitation revenue
- delivery supplemental payments
- reinsurance
- Reconciliation payments/recoupments (PPC, TWG, HCBS, SOC, Revenue, etc.)
- Monies withheld due to sanction shall not reduce the taxable amount due. These amounts will be added back into the total payments.

C. Payments to Contractors; Inclusion/Exclusion of Premium Tax:

- Any capitation payments/recoupments related to dates of service prior to October 1, 2003, will not have the premium tax included. The Contractor will not be reimbursed for the premium tax associated with these payments. However, the Contractor will be responsible for reporting and paying premium taxes associated with payments/recoupments made after October 1, 2003 (regardless of the dates of service). All capitation rates effective October 1, 2003, include the premium tax in the rate.
- Reconciling payments and supplemental payments will have the premium tax included in the payment.
- Reinsurance payments include the premium tax for all payments/recoupments made after October 1, 2003, regardless of the dates of service. For recoupment of payments made prior to October 1, 2003, the premium tax will not be recouped.

D. Payments Excluded from Premium Tax:

- *Tribal Case Management* – Tribal Contractors only receive payment for case management services, and payments are paid on a fee-for-service basis. Additionally, Tribal Case Management only receives payments on behalf of a member for a month in which some case management service is provided to the member. In other words, if no services are provided to a member for a month, they do not receive the monthly case rate for that member. Thus, this is not capitation as defined, and payments are therefore not subject to premium tax.
- *Federally Qualified Health Centers (FQHC)* – Contract with AHCCCS Contractors to provide services to members, and is not itself considered a direct Contractor with AHCCCS that receives capitation from AHCCCS.
- *Health Care Group (HCG)* – HCG is eligible under 36-2901, paragraph 6, subdivision (b), (c), (d) or (e), which is not included within the scope of the legislation.
- *Fee for Service (FFS)* – ADHS, DES – Payments are based on services provided to FFS members



- *Third Party Liability* – If a Contractor pays a claim and finds that there is another party that is responsible for paying the claim, the Contractor or AHCCCS (via the AHCCCS contracted TPL administrator) will subrogate the claim to the third party and will recover the amount that had been paid from the third party. The recovery of the expense is not subject to premium tax.
- *Fraud and Abuse* – Recovery of overpayment made by a Contractor to a provider. This is considered a contra-expense and is not subject to premium tax.
- *Indian Health Services* – Payments are paid on a fee-for-service basis.
- *Breast & Cervical Cancer Administration Payment* – Payments to contractors are in response to billings from the entity for administration services rendered and are not based on member capitation. Therefore, this entity is not considered a Contractor.
- *Premium Sharing Program* – This program ended in the middle of September 2003. Payments under this program were outside the scope of the premium tax legislation.
- *SSDI-TMC Capitation Payments* – A State only program for members who have lost their previous AHCCCS eligibility due to federal disability insurance benefit payments and are not yet eligible for Medicare. This population is covered under ARS 36-2930 which is not covered under the scope of the premium tax legislation.
- *State Only Transplant Payments* – Any payments made for Individuals who are eligible under one of the Title XIX eligibility categories, are found eligible for a transplant, and subsequently lose Title XIX eligibility due to excess income become eligible for one of two extended eligibility options as specified in A.R.S. 36-2907.10 and A.R.S. 36-2907.11

E. Quarterly Reporting to AHCCCS

In addition to filing the original Form E-QTR, E-QTR ADJUSTMENT, AHCCCS Contractor Quarterly Premium Tax Report, and tax payment with the DOI, each Contractor will submit a copy of the premium tax report(s) filed with the DOI to:

Finance Manager, DHCM  
AHCCCS  
701 E. Jefferson, M/D 6100  
Phoenix, AZ 85034

The copy of the quarterly premium tax report(s) shall be due to DHCM on the same date the original quarterly premium tax report is due to the DOI. DHCM will then compare the copy of the report to AHCCCS Contractor payment records. AHCCCS will work with the Contractor to research and resolve any discrepancies.

**F. Annual Reporting to DOI by Division of Health Care Management**

No later than January 31 of each year, the Division of Business and Finance (DBF) shall provide a report to DHCM listing all payments AHCCCS made to Contractors for the preceding calendar year. By February 15 succeeding the end of a calendar (tax) year, DHCM will report the total amount AHCCCS paid to Contractors, by health plan to:

Compliance Section Manager, Financial Affairs Division  
Arizona Department of Insurance  
2910 N. 44<sup>th</sup> St., Suite 210  
Phoenix, AZ 85018-7256

The DOI will compare this information to the quarterly reports submitted by the contractors. The DOI will issue an assessment of additional tax and may impose penalties and interest to a Contractor that underpaid the tax during the preceding calendar year. The penalty may be as much as 5% of the amount of tax paid late, with a minimum penalty of \$25. Interest is 1% of the tax paid late per month. The DOI will issue refunds to any Contractor that overpaid the tax for the calendar year period.

DHCM will provide to DBF a summary reconciliation to include any exceptions between the gross and taxable payments for the year.

**IV. PAYMENT OPTIONS**

- A. Payment by check can be mailed, delivered by overnight courier or hand delivered. The DOI accepts U.S. Postal Service postmark as evidence of filing. Postage meter stamps do not apply. Filings received by overnight courier must include an airbill or receipt bearing the date that the item was picked up by the courier from the originating sender. Hand deliveries must be received before 5:00 P.M. on the due date.
- B. Payment by ACH must post to the DOI's ACH account on or before the due date. See Form E-ACH.INSTRUCTION ([http://www.id.state.az.us/forms/tax\\_forms/E-ACH.INSTRUCTION.pdf](http://www.id.state.az.us/forms/tax_forms/E-ACH.INSTRUCTION.pdf)) for details on the ACH payment option.
- C. Payment is due on or before the due date for filing. When a due date falls on a weekend or a state holiday, it is extended to the following business day.

**V. TIMELINESS**

The submission of late reports shall constitute failure to report subject to the Civil Penalty and Interest for Late Tax Payment provisions described in the premium tax reporting instructions. ([http://www.id.state.az.us/forms/tax\\_forms/E-QTR.INSTRUCTION.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR.INSTRUCTION.pdf))

**VI. ADJUSTMENTS TO QUARTERLY PREMIUM TAX PAYMENTS**



The tax form includes a line to make overpayment or underpayment adjustments to the previous quarter for the first three quarters of the calendar year. Adjustments to the December 15 payment will not be reported on the March 15 tax report. Effective beginning calendar year 2005, if an adjustment is made on Form E-QTR for a prior quarter, Form E-QTR Adjustment ([http://www.id.state.az.us/forms/tax\\_forms/E-QTR.ADJUSTMENT.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR.ADJUSTMENT.pdf) ) must also be filled out and submitted with the quarterly form.

The DOI will reconcile all tax payments received to the data provided by AHCCCS before April 1 of the following calendar year and will issue an assessment with a Notice of Right of Appeal if the Contractor has underpaid the tax for the calendar year period.

If a Contractor receives a significant payment from AHCCCS after a tax report is filed but before the end of the tax period, the contractor should promptly file an amended tax report for that period along with documentation supporting the amended filing and additional tax payment.

## **VII. REFERENCE**

- A.R.S. §§ 36-2905 and 36-2944.01
- Attachment A – List of Contractors

Quarterly Tax form: [http://www.id.state.az.us/forms/tax\\_forms/E-QTR\\_1-4.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR_1-4.pdf)

- Adjustment form: [http://www.id.state.az.us/forms/tax\\_forms/E-QTR.ADJUSTMENT.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR.ADJUSTMENT.pdf)
- Instructions: [http://www.id.state.az.us/forms/tax\\_forms/E-QTR.INSTRUCTION.pdf](http://www.id.state.az.us/forms/tax_forms/E-QTR.INSTRUCTION.pdf)
- Attachment B – Matrix of Reimbursement for Premium Tax Collection
- E-ACH: [http://www.id.state.az.us/forms/tax\\_forms/E-ACH.INSTRUCTION.pdf](http://www.id.state.az.us/forms/tax_forms/E-ACH.INSTRUCTION.pdf)